

EAST TAWAS HOUSING COMMISSION

Financial Statements

December 31, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Opinion	i
Management Discussion and Analysis	ii
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
Combining Balance Sheet	11
Combining Statement of Income and Expenses	12
Status of Prior Audit Findings	13
Schedule of Expenditures of Federal Awards	14
Report on Compliance Applicable with Requirements to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	15
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17
Schedule of Findings and Questioned Cost	19

John C. DiPiero, P.C.

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Board of Commissioners
East Tawas Housing Commission
304 West Bay Street
East Tawas, Michigan 48730

Independent Auditor's Report

I have audited the financial statements of the East Tawas Housing Commission Business Type Activities as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Tawas Housing Commission as of December 31, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 5, 2008, on my consideration of the East Tawas Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

September 5, 2008

EAST TAWAS HOUSING COMMISSION
Management Discussion and Analysis
December 31, 2007

This discussion and analysis of the East Tawas Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2007</u>	<u>Year 2006</u>
Operating Subsidies	\$ 58,900	\$ 48,195
Capital Projects Funds	44,674	81,608
Section 8 New Construction	141,560	150,840

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2007</u>	<u>Year 2006</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 194,334	\$ 158,107	36,227
Accounts Receivable	2,530	1,127	1,403
Investments			
(Restricted/Unrestricted)	154,111	119,723	34,388
Prepaid Expenses	17,214	23,216	(6,002)

Management Discussion and Analysis, continued

	<u>Year 2007</u>	<u>Year 2006</u>	<u>Change</u>
Fixed Assets, prior to			
Depreciation	\$ 3,181,072	\$ 3,180,649	\$ 423
Total Liabilities	375,844	484,823	(108,979)
Net Assets	1,310,233	1,236,169	74,064
	<u>Year 2007</u>	<u>Year 2006</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	\$ 282,828	\$ 267,166	\$ 15,662
HUD Grants	245,134	280,643	(35,509)
Expenses:			
Administrative	97,613	89,568	8,045
Tenant Services	1,523	275	1,248
Utilities	97,161	105,097	(7,936)
Maintenance & Operations	117,531	98,541	18,990
General Expenses	57,014	60,201	(3,187)
Depreciation Expense	101,354	102,304	(950)

The Commission's cash position increased during the year, accounts receivable-increased, our investments increased, prepaid expenses decreased; our fixed assets before depreciation were virtually unchanged, total liabilities decreased, and Net Assets increased. Tenant Revenues increased, HUD grants decreased, and total expenses increased slightly (total in 2007, \$ 472,196; 2006, \$ 455,968)

Our cash position increased by \$ 36,227, and our investments increased by \$ 34,388; both as a result of our net profit before depreciation of \$ 175,418. The balance of the net profit (175,418-36,227, 34,388= \$ 104,803) was used to retire debt, which accounts for the decrease in total liabilities of 108,979. Accounts receivable increased due a slight increase in tenant accounts receivable. Prepaid expenses decreased due to amortization of prepaid bond refinancing in the amount of \$ 7,100. Net assets increased by the amount of the net profit, \$ 74,064.

Significant changes in revenues and expenses are as follows: Tenant revenues increased 5% which is in the range of expected increases due to increases in social security benefits, interest income and increases in medical deductions. HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year. Utility cost decreased; prior year rate increases have been absorbed and usage is down resulting in a decrease in overall cost of \$ 7,936; Maintenance and Operations increase because of adding a second full time maintenance person; in the past we operated with a full and part time maintenance team. General expenses decreased due to lower interest expense (2006 \$ 18,224; 2007 \$ 13,781).

Management Discussion and Analysis, continued

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2007</u>	<u>Year 2006</u>
Low Rent Public Housing	41	41
Section 8 New Construction	44	44

General Fund Budgetary Highlights

The Commission approved an annual budget on January 16, 2007 for December 31, 2007, and amended it later in the year to more clearly reflect the actual results. The following represents the significant differences between the amended budget and actual results:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
HUD Subsidies	\$ 245,574	\$ 200,460	(45,114)
Employee Benefits-Administrative	18,200	13,351	4,849
Other Administrative Cost	29,480	22,454	7,026
Utilities	107,200	97,161	10,039
Net Profit before Depreciation	46,460	74,064	(27,604)

HUD Subsidies changed the formula in 2007 which determines eligibility, HUD further reduced the eligible amount by 18%; therefore, the actual was approximately 18% lower than the estimate. The Commission was able to obtain similar benefits with a different carrier to reduce the overall cost of benefits by almost \$ 5,000 year. Other administrative cost were over-budgeted anticipating increased equipment and software maintenance agreements; the actual cost was lower than our original estimates. Utility usage was lower than expected resulting in lower actual utility cost than budgeted. The net result of budget to actual resulted in a better than expected result.

Entity Wide Capital Assets

The fixed assets increased \$ 423 prior to depreciation. The Commission opted to put all the CFP money into operations; we intend to also put the 2008 CFP into operations. We are considering however, a financing package which would include borrowing money against the Section 8 New Construction building and undergoing a major building renovation. The loan would involve tax credits and leveraging the equity of the building against the cost to completely redo the interior including the plumbing. Such a plan would need both board and City approval to complete.

Management Discussion and Analysis, continued

Commission's Position

The Commission is pursuing a tax credit refinancing for the Section 8 New Construction building in conjunction with the City of East Tawas; we intend to use our 2008 Capital Fund Program money to add to operations.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Janell Reed, Executive Director
304 W. Bay St.
East Tawas, Michigan 48730

EAST TAWAS HOUSING COMMISSION
Statement of Net Assets
December 31, 2007

ASSETS

C-3087

CURRENT ASSETS

Cash	\$	194,334	
Accounts Receivable		231	
Accounts Receivable- Other		2,299	
Investments		154,111	
Prepaid Expenses		<u>17,214</u>	
Total Current Assets	\$		368,189

NON CURRENT ASSETS

Land	\$	205,892	
Buildings		2,888,554	
Furniture, Equipment- Dwellings		34,536	
Furniture, Equipment- Administrative		52,090	
Accumulated Depreciation		<u>(1,863,184)</u>	
Total Non Current Assets			<u>1,317,888</u>

TOTAL ASSETS \$ 1,686,077

EAST TAWAS HOUSING COMMISSION
Statements of Net Assets
December 31, 2007

LIABILITIES

C-3087

CURRENT LIABILITIES

Accounts Payable	\$	12,416	
Accrued Wages & Payroll Taxes		2,416	
Accrued Compensated Absences		6,316	
Accounts Payable-Other Governments		18,567	
Tenants Security Deposit		21,093	
Accrued Interest Payable		1,650	
Deferred Revenue		447	
Current Portion-Long Term Debt		<u>120,000</u>	
<u>Total Current Liabilities</u>	\$		182,905

NON CURRENT LIABILITIES

Long Term Debt, net of current portion	\$	179,739	
Accrued Compensation- non current		<u>13,200</u>	
<u>Total Non Current Liabilities</u>			<u>192,939</u>
<u>Total Liabilities</u>	\$		375,844

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$	1,018,149	
Unrestricted Net Assets		<u>292,084</u>	
<u>Total Net Assets</u>			<u>1,310,233</u>

<u>TOTAL LIABILITIES & NET ASSETS</u>	\$	<u>1,686,077</u>
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The Accompanying Notes are an Integral part of the Financial Statements

EAST TAWAS HOUSING COMMISSION
Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended December 31, 2007

REVENUE

Tenant Rental Revenue	\$ 281,868	
Tenant Revenue-Other	960	
HUD Grants	245,134	
Interest Income	10,986	
Other Income	<u>7,312</u>	
<u>Total Revenue</u>		\$ 546,260

EXPENSES

Administrative	\$ 97,613	
Tenant Services	1,523	
Utility Expenses	97,161	
Ordinary Maintenance	117,531	
General Expenses	43,233	
Interest Expense	13,781	
Depreciation Expenses	<u>101,354</u>	
<u>Total Operating Expenses</u>		<u>472,196</u>
<u>Operating Income (Loss)</u>		\$ 74,064

CAPITAL CONTRIBUTIONS

		<u>0</u>
<u>Change in Net Assets</u>		\$ 74,064
Total Net Assets- Beginning		<u>1,236,169</u>
Total Net Assets- Ending		\$ <u>1,310,233</u>

The Accompanying Notes are an Integral part of the Financial Statements

EAST TAWAS HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended December 31, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 282,927
Payments to Suppliers	(277,552)
Payments to Employees	(117,157)
HUD Grants	245,134
Other Receipts (Payments)	<u>18,298</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>151,650</u>

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Principle paid on Debt	\$ (115,000)
Capital Contributions	0
Purchases of Capital Assets	<u>(423)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(115,423)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	\$ 36,227
Balance- Beginning of Year	<u>158,107</u>
Balance- End of Year	\$ <u>194,334</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ 74,064
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	101,354
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(1,403)
Investments	(34,388)
Prepaid Expenses	6,002
Changes in Liabilities Increase (Decrease):	
Accounts Payable	2,920
Accrued Liabilities	(3,504)
Compensated Absences	766
Security Deposits	897
Deferred Revenue	(58)
Current Portion-Long Term Debt	<u>5,000</u>
Net Cash Provided by Operating Activities	\$ <u>151,650</u>

The Accompanying Notes are an Integral part of the Financial Statements

EAST TAWAS HOUSING COMMISSION
Notes to Financial Statements
December 31, 2007

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

East Tawas Housing Commission, East Tawas, Michigan, (Commission) was created by ordinance of the city of East Tawas. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 102-001	Low rent program	41 units
	New Construction	44 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principles (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided that they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements .

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Due To and Due From Other Funds

Interfund receivables and payables arise from inter-program transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity is recorded at the Catalogue of Federal Domestic Assistance (CFDA) level in the Financial Data Schedule, and are eliminated in the combined financial statements.

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Notes to Financial Statements- continued

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 8,554
Savings Accounts	185,580
Petty Cash	<u>200</u>
Financial Statement Total	\$ <u>194,334</u>

Investments:

Certificates of Deposit	\$ 154,111
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Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 8,554	\$	\$	\$ 8,554	\$ 8,554
Petty Cash	200			200	200
Savings Account	<u>185,580</u>			<u>185,580</u>	<u>185,580</u>
Total Cash	\$ <u>194,334</u>	\$	\$	\$ <u>194,334</u>	\$ <u>194,334</u>
Investments:					
Savings Account	\$ <u>154,111</u>		\$	\$ <u>154,111</u>	\$ <u>154,111</u>
Total Cash	\$ <u>154,111</u>	\$	\$	\$ <u>154,111</u>	\$ <u>154,111</u>

All cash and investments are protected by either FDIC, SPIC, or independent bank collateral guarantees. In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Notes to Financial Statements- continued

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 205,892	\$	\$	\$ 205,892
Buildings	2,888,554			2,888,554
Furniture & Equipment-Dwellings	34,536			34,536
Furniture & Equipment-Admin	51,667	423		52,090
Leasehold Improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	\$ 3,180,649	\$ 423	\$	\$ 3,181,072
Less Accumulated Depreciation	<u>1,761,830</u>	<u>101,354</u>	<u>0</u>	<u>1,863,184</u>
	\$ <u>1,418,819</u>	\$ <u>(100,931)</u>	\$ <u>0</u>	\$ <u>1,317,888</u>

Note 4: Prepaid Expenses.

Prepaid Expenses consist of the following:

Unamortized Loan Origination Fees (Note 5)	\$ 15,212
Prepaid Insurance	<u>2,002</u>
	\$ <u>17,214</u>

Note 5: Fixed Liabilities:

The financing of the Commission consists of the following:

Bonds	\$ 465,000
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1998 General Obligation Unlimited Tax Refunding Bonds (Section 8 Senior Citizens Housing), interest rate ranging between 3.65% to 4.15%, payable serially until 2010.

The following represents the annual principle & interest obligations:

	<u>Bonds Payable</u>	<u>Interest Payable</u>	<u>Total Obligation</u>
December 31, 2008	120,000	7,440	127,440
December 31, 2009	120,000	4,769	124,769
December 31, 2010	59,740	2,374	62,114
Thereafter	0	0	0

Due to the unique regulatory constraints of the debt it is impracticable to estimate the fair value of debt.

Notes to Financial Statements- continued

In addition to the aforementioned debt, a prepaid bond refinancing was charged to other assets; the charge is being written off using the straight line method at a rate of \$ 7,100 per year. The following represents the activity:

Prepaid bond refinancing paid at closing	\$ 90,000
Amortized prior to beginning of year	<u>(67,688)</u>
Balance at beginning of year	\$ 22,312
Annual Amortization	<u>(7,100)</u>
Balance at end of year	\$ <u>15,212</u>

The annual amortization is included under general expenses on the Financial Data Schedule, (FDS).

Note 6: Pension Plan

The Commission participates in the City of East Tawas Defined Contribution Pension Plan. All eligible employees have 8% of their annual salary contributed to the plan by the Commission. Actuarial and statistical data are reported under a separate report prepared by the City.

Note 7: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 5,074,052
General Liability	1,000,000
Dishonesty Bond	10,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 8: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 9: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principles of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

East Tawas Housing Commission

31-Dec-07

MI102

Combining Balance Sheet		Low Rent 14.850	Sec 8 New Construction Program	Capital Projects Funds 14.872	TOTAL
Line Item #					
	ASSETS:				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	155,203	18,038	-	173,241
112	Cash - restricted - modernization and developmen	-			-
113	Cash - other restricted				-
114	Cash - tenant security deposits	9,766	11,327		21,093
100	Total cash	164,969	29,365	-	194,334
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects			0	-
122	Accounts receivable - HUD other projects	-	-	-	-
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous	1,127	911		2,038
126	Accounts receivable- tenants - dwelling rents	6	225		231
126.1	Allowance for doubtful accounts - dwelling rents				-
126.2	Allowance for doubtful accounts - other				-
127	Notes and mortgages receivable- curren				-
128	Fraud recovery				-
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable	236	25		261
120	Total receivables, net of allowances for doubtful account	1,369	1,161	-	2,530
	Current investments				-
131	Investments - unrestricted	143,812	10,299		154,111
132	Investments - restricted				-
142	Prepaid expenses and other assets	2,113	15,101		17,214
143	Inventories				-
143.1	Allowance for obsolete inventories				-
144	Interprogram - due from	408	-	-	408
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	312,671	55,926	-	368,597
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	159,652	46,240	-	205,892
162	Buildings	1,280,761	1,607,793	-	2,888,554
163	Furniture, equipment & machinery - dwellings	33,774	762	-	34,536
164	Furniture, equipment & machinery - admininstrator	49,326	2,764	-	52,090
165	Leasehold improvements	-	-	-	-
166	Accumulated depreciation	(949,087)	(914,097)	-	(1,863,184)
160	Total fixed assets, net of accumulated depreciator	574,426	743,462	-	1,317,888
171	Notes and mortgages receivable - non-curren				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	574,426	743,462	-	1,317,888
190	TOTAL ASSETS	887,097	799,388	-	1,686,485

	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	CURRENT LIABILITIES				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	6,757	5,659		12,416
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	1,960	456		2,416
322	Accrued compensated absences	3,158	3,158		6,316
324	Accrued contingency liability				-
325	Accrued interest payable		1,650		1,650
331	Accounts payable - HUD PHA programs		-		-
332	Accounts Payable - PHA Projects				
333	Accounts payable - other government	9,829	8,738	-	18,567
341	Tenant security deposits	9,766	11,327		21,093
342	Deferred revenues	420	27		447
343	Current portion of Long-Term debt - capital projects		120,000		120,000
344	Current portion of Long-Term debt - operating borrowings		-		-
345	Other current liabilities	-			-
346	Accrued liabilities - other	-			-
347	Inter-program - due to	-	408	-	408
310	TOTAL CURRENT LIABILITIES	31,890	151,423	-	183,313
	NONCURRENT LIABILITIES:				
351	Long-term debt, net of current- capital projects		179,739		179,739
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	-			-
354	Accr. Comp. Absences- non current	6,600	6,600		13,200
350	TOTAL NONCURRENT LIABILITIES	6,600	186,339	-	192,939
300	TOTAL LIABILITIES	38,490	337,762	-	376,252
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)	-			-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
507	Other contributions	-			-
508	Total Contributed Capital	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	574,426	443,723	-	1,018,149
	Reserved fund balance:				
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-
512.1	Unrestricted Net Assets	274,181	17,903		292,084
513	TOTAL EQUITY	848,607	461,626	-	1,310,233
600	TOTAL LIABILITIES AND EQUITY	887,097	799,388	-	1,686,485

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East Tawas Housing Commission

31-Dec-07

MI102

		Low Rent 14.850	Sec 8 New Construction Program	Capital Projects Funds 14.872	TOTAL
Combining Income Statement					
Line Item #				-	
	REVENUE:	-	-		
703	Net tenant rental revenue	145,558	136,310		281,868
704	Tenant revenue - other	720	240		960
705	Total tenant revenue	146,278	136,550	-	282,828
706	HUD PHA grants	58,900	141,560	44,674	245,134
708	Other government grants				-
711	Investment income - unrestricted	10,015	971	-	10,986
712	Mortgage interest income				-
714	Fraud recovery				-
715	Other revenue	3,952	3,360	-	7,312
716	Gain or loss on the sale of fixed assets	-			-
720	Investment income - restricted				-
700	TOTAL REVENUE	219,145	282,441	44,674	546,260
	EXPENSES:				
	Administrative				
911	Administrative salaries	35,903	22,841	-	58,744
912	Auditing fees	1,150	1,150		2,300
913	Outside management fees				-
914	Compensated absences	382	382		764
915	Employee benefit contributions- administrative	9,606	3,745	-	13,351
916	Other operating- administrative	12,661	9,793	-	22,454
	Tenant services				
921	Tenant services - salaries				-
922	Relocation costs	-			-
923	Employee benefit contributions- tenant services				-
924	Tenant services - other	1,146	377		1,523
	Utilities				
931	Water	7,636	9,978		17,614
932	Electricity	21,045	20,086		41,131
933	Gas	19,311	19,105		38,416
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense	-			-
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations - labor	35,296	23,117		58,413
942	Ordinary maintenance and operations - materials & other	17,722	10,602	-	28,324
943	Ordinary maintenance and operations - contract costs	11,726	8,557	-	20,283
945	Employee benefit contributions- ordinary maintenance	6,588	3,923		10,511
	Protective services				

EAST TAWAS HOUSING COMMISSION
Status of Prior Audit Findings
December 31, 2007

The prior audit of the East Tawas Housing Commission for the period ended December 31, 2006, did not contained any audit findings or questioned cost.

EAST TAWAS HOUSING COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
<u>CFDA 14.850 Public and Indian Housing</u>	
C-3087 Operating Subsidies	\$ <u>58,900</u>
* <u>CFDA 14.182 N/C Section 8 Program</u>	
C-3087 Section 8 Assistance Payments	\$ <u>141,560</u>
<u>CFDA 14.872 Public Housing Capital Fund Program</u>	
C-3087 Capital Fund Program	\$ <u>44,674</u>
	\$ <u>245,134</u>

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

*Connotes Major Program Category

EAST TAWAS HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
December 31, 2007

I have audited the financial statements of the East Tawas Housing Commission of East Tawas, Michigan, as of and for the year ended December 31, 2007, and have issued my report thereon dated September 5, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the East Tawas Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *control or significant deficiency*, as defined above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *material weaknesses*, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
September 5, 2008

EAST TAWAS HOUSING COMMISSION
Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133
December 31, 2007

Compliance

I have audited the compliance of the East Tawas Housing Commission of East Tawas, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Commission's compliance with those requirements.

In my opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *control or significant deficiency*, as defined above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *material weaknesses*, as defined above.

This report is intended solely for the information and use of, management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
September 5, 2008

EAST TAWAS HOUSING COMMISSION
Schedule of Findings and Questioned Cost
December 31, 2007

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Section 8 New Construction	X	
Capital Projects Funds		X

Opinions:

Financial Statements-

Unqualified

Material weakness(es) noted _____ Yes X No

Control Deficiency (ies) noted _____ Yes X No

Non Compliance material to financial statements noted _____ Yes X No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted _____ Yes X No

Control Deficiency (ies) noted _____ Yes X No

Non Compliance material to financial statements noted _____ Yes X No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	No	None	N/A
Section 8 New Construction	Yes	None	N/A
Capital Fund Project	No	None	N/A